

AGN. NO. _____

MOTION BY SUPERVISOR YVONNE B. BURKE

MARCH 14, 2006

On October 21, 2003 the Board directed the Chief Administrative Office (CAO) to sell a surplus 26,822 square foot former County facility located at 4920 Avalon Boulevard, Los Angeles to the long time tenant of said facility, Avalon-Carver Community Center (ACCC) for the sum of \$586,500. The instructions adopted by the Board delegated to the CAO the authority to negotiate terms of the sale including the ability to finance the acquisition utilizing a deed of trust secured by the property.

In accordance with the Board's stated objectives, the CAO entered into a 30-year mortgage with ACCC for the entire purchase price. Terms of the mortgage loan provided interest to be charged at 6% and required monthly payments of \$3,516.36 commencing March 1, 2004. Since that time, ACCC has made timely payments in accordance with the mortgage terms. Furthermore, ACCC has honored its other obligations including installing a new roof on the building and continuing to provide

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**MOTION BY SUPERVISOR YVONNE B. BURKE
MARCH 14, 2006
PAGE TWO**

social services that are necessary to meet the social needs of the surrounding community.

Recently representatives from ACCC approached the County with a request to modify the terms of the existing mortgage. As represented by ACCC staff, this request is as a result of recent decreases in federal and state funding available for the services provided by ACCC. In turn, this has resulted in ACCC having to use an increasing percentage of funds available to service the County mortgage at the expense of funding the public service programs provided by ACCC. The specific request by ACCC is to lower the monthly payments from \$3,516 to \$2,000 for one year, \$2,500 for the year after that, \$3,000 per month for the third year and thereafter returning to the payment as provided in the existing mortgage plus any additional payments required to pay down the principal. Such a scenario could be accomplished if the loan was recomputed on an interest only basis for one year, thereby lowering the interest rate from 6% to 4.18% and extending the term by one year, and thereafter any payments collected would first be applied to interest due at 6% with any shortfall added to the principal, what is commonly referred to as a negative amortization loan, with the final payment due in February 2035.

**THEREFORE, AS AUTHORIZED BY GOVERNMENT CODE SECTIONS 26227
AND 25522, I MOVE THAT THE BOARD:**

1. Authorize the Chief Administrative Office (CAO) to negotiate terms of an

- M O R E -

MOTION BY SUPERVISOR YVONNE B. BURKE
MARCH 14, 2006
PAGE THREE

amended promissory note and deed of trust to change the terms to provide for an additional term year at an interest rate of 4.18% with interest only payments of \$2,000 per month for a period of 12 months, thereafter the loan would recalculate at 6%, but ACCC would have the option of making reduced monthly payments of \$2,500 for 12 months, then \$3,000 for 12 months or the actual amount due with any payments less than, or in excess of the amount due, as the case may be, applied towards the balance remaining, and to execute the amendment to the deed of trust and associated promissory note, subject to approval by County Counsel, on behalf of the County.

2. Instruct the CAO to execute any other related documents to carry out the purposes of this motion after review and approval by County Counsel.

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